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HANDLING INDICATOR

L FBR AID

TO : Department of State

E.O. 12065: N/A

TAGS: ETRD, ECRP

LFB

AGR COM FBR INT

FROM : AmEmbassy SEOUL

DATE: APRIL 25, 1980

LAD TAN TR RMD

SUBJECT : Industrial Outlook Report: Footwear

CERP 0520

AIR ARMY NAVY OSC

REF:

USIA NSA CIA

\*SUGGESTED DISTRIBUTION

Summary. The performance of the ROK footwear industry in 1979 was not up to 1978 levels. Production dropped from 290 to 288 million pairs (-0.7 percent), while exports declined from 267 to 206 million pairs (-22.7 percent). The value of 1979 exports showed a modest 6.1 percent gain. As in previous years, the U.S., Japan, the U.K., and Canada remained the primary markets. Except for selective replacement of older facilities, no footwear manufacturer plans to expand its production runs. Finally, as with all other business enterprises in the ROK, labor costs are rising in the footwear industry; however, this increase in wages has not been sufficient to attract and hold a worker population which wants even higher salaries and better job safety conditions, including improved pollution controls. End Summary.

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### Production

By producing 63 million pairs of shoes in 1979, ICC maintained its position as the ROK's leading footwear manufacturer, followed by Tae Hwa (52 million pairs), Chin Yang (31 million pairs), and Sam Hwa (31 million pairs). Of special note is that, with the exception of Tae Hwa, which upped its production 22.5% over 1978, all the other three major footwear companies demonstrated negative growth in 1978. These four firms together accounted for 61 percent of the ROK's total 1979 footwear production, down from 66 percent in 1978. Canvas shoes remained the principal product (50 percent). Other leading items were rubber boots (13 percent), slippers (8.5 percent), chemical shoes (8.4 percent), and leather shoes (7.4 percent). Chemical shoes, which ranked second in 1978, dropped from a high of 42 million pairs to only 24 million pairs in 1979, a 42 percent setback.

### Exports

ROK footwear exports to the U.S. fell 25.5 percent during 1979. The drop from 106 million pairs in 1978 to 79 million pairs in 1979, below even the 1977 total of 90 million pairs, was primarily in two categories, canvas shoes (-29.6 percent) and rubber shoes (-24.6 percent). The latter category also includes ROK-produced boots for the U.S. market. Though in drastically reduced quantity, canvas shoes were still the main footwear export to the U.S. in 1979. As the chief export market for the ROK footwear industry, 1979 U.S. purchases amounted to 38 percent of the total quantity exported (down from 40 percent in 1978) and 48.4 percent of the total value exported (down from 57.6 percent in 1978). Japan, which imported 50 million pairs (a 6 percent increase over 1978), is the second leading market. The growth of Japanese imports from 47 million pairs in 1978 to 50 million pairs in 1979 includes gains of 5.9 percent in canvas shoes, almost 325 percent in leather shoes, and slightly over 150 percent in chemical shoes. For 1979, Japan bought 24 percent of ROK footwear exports, equal to 16.5 percent of the total value of all ROK footwear exports. 1979 exports to the U.K. and Canada each dropped by 10 percent in quantity but showed increases in value of 24 percent and 7 percent, respectively.

### Effects of the OMA and General Assessment of the Industry

For the two years after the OMA was instituted in 1977, ROK footwear manufacturers went through hard times, suffering throughout from excessive inventory, a backlog of unsold footwear, almost all of which was originally produced for the U.S. market.

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In addition, 1977-79 saw an 8 percent loss of skilled manpower. In the last year, however, the ROK has developed about fifteen new markets, including Sudan, Cameroon, and Iceland, the largest new market, where the ROK shipped \$98,000 worth of orders in 1979.

The recent trend toward quality improvement to enhance sales has not meant higher prices. The manufacturers are simply trying harder to produce more attractive goods to supply to fashion-conscious consumers in footwear-importing countries. The price of ROK export footwear remains moderate, considering rising raw materials prices and energy costs. For example, the Korean Footwear Exporters Association reports that the price of imported natural rubber, a key raw material, went up 30 percent in 1979. Also, the ROKG raised industrial oil prices by 56.2 percent in July, 1979, and again by 56.7 percent in January, 1980; electricity rates, too, were adjusted upward in line with oil prices. Finally, workers' wages shot up 20-25 percent across the footwear industry in 1979. In brief, ROK footwear manufacturers begin the 1980's under the double burdens of increasing production costs and the need to find additional or expanded outlets overseas. For unless significant new sales are generated in currently underdeveloped or undeveloped markets and/or current protectionism is soon eased, the future of the ROK footwear industry appears to be neither profitable abroad nor encouraging at home.

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Table 1. Korea's Major Footwear Makers and Annual Production

Unit: 1,000 pairs

| Names     | Production, Actual |         |         | % Change<br>79/78 |
|-----------|--------------------|---------|---------|-------------------|
|           | 1977               | 1978    | 1979    |                   |
| ICC       | 66,779             | 67,559  | 63,343  | -6.3              |
| Sam Hwa   | 28,998             | 46,673  | 30,593  | -34.5             |
| Tae Hwa   | 42,194             | 42,267  | 51,756  | 22.5              |
| Chin Yang | 31,376             | 35,034  | 31,209  | -10.9             |
| Tong Yang | 19,469             | 22,461  | 23,035  | 2.5               |
| Taejon    | 1,813              | 1,853   | 1,338   | -27.8             |
| Dae Woo   | 1,151              | 1,807   | 2,097   | 16.0              |
| Kum Kang  | 1,163              | 1,167   | 1,298   | 11.2              |
| Dae Dong  | 1,522              | 1,680   | 1,754   | 4.4               |
| Others    | 52,450             | 69,913  | 81,892  | 17.1              |
| Total     | 246,915            | 290,414 | 288,315 | -0.7              |

Source: Korean Footwear Exporters Association.

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Table 2. Korea's Footwear Production By Kind

Unit: 1,000 Pairs

|                | <u>1977</u> | <u>1978</u> | <u>1979</u> | <u>% Change</u><br><u>79/78</u> |
|----------------|-------------|-------------|-------------|---------------------------------|
| Rubber Shoes   | 19,371      | 17,279      | 16,583      | -4.0                            |
| Rubber Boots   | 36,021      | 36,926      | 37,495      | 1.5                             |
| Canvas Shoes   | 113,169     | 128,285     | 144,686     | 12.8                            |
| Chemical Shoes | 38,712      | 41,804      | 24,127      | -42.3                           |
| Leather Shoes  | 17,262      | 21,681      | 21,293      | -1.8                            |
| Slipper        | 22,196      | 21,649      | 24,420      | 12.8                            |
| Others         | 184         | 22,790      | 19,711      | -13.5                           |
| Total          | 246,915     | 290,414     | 288,315     | -0.7                            |

Source Korean Footwear Exporters Association.

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# Table 1. Korea's Footwear Export by Country

Unit: Quantity in 1000 pairs

Value in \$Million, FOB on Customs Clearance basis

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Table 1. (cont'd)

Korea's Footwear Export by Country (cont'd)

|                      | 1977    |             | % Change<br>77/76 Qt'y | 1978    |             | % Change<br>78/77 Qt'y | 1979    |             | % Change<br>79/78 Qt'y |
|----------------------|---------|-------------|------------------------|---------|-------------|------------------------|---------|-------------|------------------------|
|                      | Qt'y    | Value       |                        | Qt'y    | Value       |                        | Qt'y    | Value       |                        |
| Canada               |         |             |                        |         |             |                        |         |             |                        |
| Rubber Shoes & boots | 2,200   |             | -16.2                  | 2,310   |             | 0.9                    | 2,467   |             | 6.8                    |
| Canvas Shoes         | 4,064   |             | -35.1                  | 5,750   |             | 41.5                   | 5,114   |             | -11.1                  |
| Chemical Shoes       | 429     |             | 1.4                    | 259     |             | -39.8                  | 50      |             | -80.7                  |
| Leather Shoes        | 104     |             | 16.5                   | 265     |             | -12.8                  | 394     |             | -48.7                  |
| Slipper              | 920     |             | -33.0                  | 839     |             | -8.8                   | 529     |             | -37.0                  |
| Others               | 1,094   |             | -32.5                  | 1,267   |             | 15.8                   | 1,076   |             | -15.1                  |
| Total                | 9,101   | 21.7(-24.1) | -32.7                  | 10,690  | 30.4(40.1)  | 17.5                   | 9,630   | 32.6(7.2)   | -9.9                   |
| Other Countries      |         |             |                        |         |             |                        |         |             |                        |
| Rubber Shoes & boots | 9,382   |             | -8.7                   | 7,607   |             | -18.9                  | 10,824  |             | 42.3                   |
| Canvas Shoes         | 9,957   |             | -18.7                  | 14,976  |             | 50.4                   | 25,931  |             | 73.3                   |
| Chemical Shoes       | 974     |             | 133.6                  | 1,191   |             | 22.3                   | 442     |             | -62.9                  |
| Leather Shoes        | 1,525   |             | 111.8                  | 1,064   |             | -30.2                  | 2,910   |             | 173.6                  |
| Slipper              | 10,975  |             | -4.8                   | 8,361   |             | -23.8                  | 12,898  |             | 54.3                   |
| Others               | 635     |             | -69.2                  | 14,722  |             | 23 times               | 1,123   |             | -92.4                  |
| Total                | 33,448  | 85.8(44.0)  | -10.2                  | 47,921  | 127.1(48.1) | 43.3                   | 54,128  | 189.3(48.9) | 13.0                   |
| Total                |         |             |                        |         |             |                        |         |             |                        |
| Rubber Shoes & boots | 32,006  |             | 6.9                    | 37,393  |             | 16.8                   | 34,713  |             | -7.2                   |
| Canvas Shoes         | 90,539  |             | 3.5                    | 126,915 |             | 40.2                   | 118,938 |             | -6.3                   |
| Chemical Shoes       | 6,999   |             | 11.9                   | 6,737   |             | -3.7                   | 3,607   |             | -46.5                  |
| Leather Shoes        | 16,626  |             | -3.8                   | 11,854  |             | -28.7                  | 17,535  |             | 47.9                   |
| Slipper              | 22,125  |             | -7.8                   | 20,618  |             | -6.8                   | 24,420  |             | 18.4                   |
| Others               | 6,362   |             | -28.4                  | 23,401  |             | 267.8                  | 7,318   |             | -68.7                  |
| Grand Total          | 174,657 | 502.6(21.8) | 0.5                    | 226,918 | 725.6(44.4) | 29.9                   | 206,531 | 769.9(6.1)  | -9.1                   |

Note: The figures shown in parenthesis indicate the increase rates of value over previous years.

Source: Korean Footwear Exporters Association.

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Table 4. Korea's Footwear Export By Major Country in Value

|             | In Million of Dollars, FOB on<br>Customs Clearance Basis |       |       |                   |
|-------------|----------------------------------------------------------|-------|-------|-------------------|
|             | 1977                                                     | 1978  | 1979  | % Change<br>79/78 |
| U.S.A.      | 304.4                                                    | 417.8 | 372.6 | -10.8             |
| Japan       | 72.7                                                     | 111.2 | 126.9 | 14.1              |
| Canada      | 21.7                                                     | 30.4  | 32.6  | 7.2               |
| U.K.        | 18.0                                                     | 39.1  | 48.5  | 24.0              |
| W. Germany  | 15.0                                                     | 12.4  | 32.2  | 159.7             |
| France      | 14.1                                                     | 20.1  | 38.6  | 92.0              |
| Netherlands | 11.5                                                     | 18.1  | 20.1  | 11.0              |
| Others      | 45.2                                                     | 76.5  | 98.4  | 28.6              |
| Total       | 502.6                                                    | 725.6 | 769.9 | 6.1               |

Source: Korean Footwear Exporters Association.

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